

**TONGANOXIE PUBLIC LIBRARY,  
TONGANOXIE, KANSAS**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended December 31, 2009**

Tonganoxie Public Library, Tonganoxie, Kansas  
FINANCIAL STATEMENTS  
Year ended December 31, 2009

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# Patsy A. Porter, CPA, PA

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Tonganoxie Public Library, Tonganoxie, Kansas

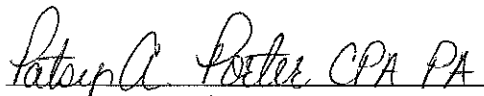
I have audited the statutory basis financial statements of Tonganoxie Public Library, Tonganoxie, Kansas as of and for the year ended December 31, 2009, as listed in the table of contents. These financial statements are the responsibility of the Library's management. My responsibility is to express an opinion on these financial statements based on my audit.

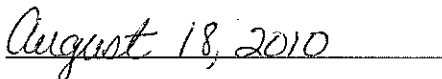
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described more fully in Note 1, Tonganoxie Public Library, Tonganoxie, Kansas, has prepared these financial statements using accounting practices prescribed or permitted by the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In my opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Tonganoxie Public Library, Tonganoxie, Kansas as of December 31, 2009, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

In my opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of Tonganoxie Public Library, Tonganoxie, Kansas as of December 31, 2009, and their respective cash receipts and cash disbursements, and budgetary results for the year then ended, on the basis of accounting described in Note 1.

  
Patsy A. Porter, CPA, PA



Tonganoxie Public Library, Tonganoxie, Kansas  
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH  
Year ended December 31, 2009

Funds	Beginning unencumbered cash balance	Prior year canceled encumbrances	Cash receipts	Expenditures	Ending unencumbered cash balance	Outstanding encumbrances and accounts payable	Ending cash balance
<b>Governmental type funds:</b>							
General fund	\$ 27,274	\$ -	\$ 270,633	\$ 282,194	\$ 15,713	\$ -	\$ 15,713
Special revenue funds:							
Employee benefits	17,488	-	36,277	39,508	14,257	-	14,257
Capital improvement	52,076	-	15,367	6,003	61,440	-	61,440
Gifts and memorials	125,000	-	2,938	-	127,938	-	127,938
Total reporting entity	<u>\$ 221,838</u>	<u>\$ -</u>	<u>\$ 325,215</u>	<u>\$ 327,705</u>	<u>\$ 219,348</u>	<u>\$ -</u>	<u>\$ 219,348</u>
<b>Composition of cash:</b>							
				Checking			\$ (6,928)
				Savings			36,873
				Certificate of deposit			127,938
				Money market			61,440
				Petty cash			25
				Total cash			<u>\$ 219,348</u>

The accompanying notes are an integral  
part of the financial statements.

Tonganoxie Public Library, Tonganoxie, Kansas  
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET  
Year ended December 31, 2009

Funds	Original budget	Adjustment for qualifying budget credits	Total budget for comparison	Expenditures chargeable to current year	Variance - over (under)
Governmental type funds:					
General fund	\$ 285,484	-	\$ 285,484	\$ 282,194	\$ 3,290
Employee benefits	\$ 47,560	-	\$ 47,560	\$ 39,508	\$ 8,052
Capital improvements	\$ 7,500	-	\$ 7,500	\$ 6,003	\$ 1,497

The accompanying notes are an integral  
part of the financial statements.

Tonganoxie Public Library, Tonganoxie, Kansas  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 General Fund  
 Year ended December 31, 2009

	Current year		
	Actual	Budget	Variance - over (under)
Cash receipts:			
Taxes and shared revenue:			
Ad valorem	\$ 195,301	\$ 207,775	\$ 12,474
Ad valorem delinquent	8,100	-	(8,100)
Motor vehicle	28,410	29,275	865
Recreational vehicle	276	287	11
NEKLS	20,822	19,000	(1,822)
Fees and charges for services	4,540	4,000	(540)
Donations and grants	3,167	4,500	1,333
Interest on idle funds	1,111	1,000	(111)
E-rate refund	1,158	-	(1,158)
State aid	2,571	2,700	129
Miscellaneous	5,177	2,300	(2,877)
Total cash receipts	<u>270,633</u>	<u>\$ 270,837</u>	<u>\$ 204</u>
Expenditures and transfers subject to budget:			
Personnel	137,172	\$ 149,150	\$ 11,978
Collection development	55,201	54,000	(1,201)
Technology	20,266	27,150	6,884
Administration	17,507	12,550	(4,957)
Outside services	14,116	17,584	3,468
Utilities	10,639	8,500	(2,139)
Programs and projects	6,829	6,750	(79)
Building maintenance	2,778	5,000	2,222
Insurance	2,346	4,300	1,954
Other	336	500	164
Transfers to capital improvements	15,004	-	(15,004)
Total expenditures and transfers subject to budget	<u>282,194</u>	<u>\$ 285,484</u>	<u>\$ 3,290</u>
Receipts over (under) expenditures	(11,561)		
Unencumbered cash, beginning of year	<u>27,274</u>		
Unencumbered cash, end of year	<u>\$ 15,713</u>		

The accompanying notes are an integral  
 part of the financial statements.

Tonganoxie Public Library, Tonganoxie, Kansas  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 Employee Benefits Fund  
 Year ended December 31, 2009

	Current year		
	Actual	Budget	Variance - over (under)
Cash receipts:			
Taxes and shared revenue:			
Ad valorem	\$ 31,055	\$ 30,864	\$ (191)
Ad valorem delinquent	1,160	-	(1,160)
Motor vehicle	4,022	4,576	554
Recreational vehicle	40	45	5
Total cash receipts	<u>36,277</u>	<u>\$ 35,485</u>	<u>\$ (792)</u>
Expenditures and transfers subject to budget:			
Health insurance	25,838	\$ 28,008	\$ 2,170
Payroll taxes and unemployment	11,281	12,247	966
Employee benefits	<u>2,389</u>	<u>7,305</u>	<u>4,916</u>
Total expenditures and transfers subject to budget	<u>39,508</u>	<u>\$ 47,560</u>	<u>\$ 8,052</u>
Receipts over (under) expenditures	(3,231)		
Unencumbered cash, beginning of year	<u>17,488</u>		
Unencumbered cash, end of year	<u>\$ 14,257</u>		

The accompanying notes are an integral  
 part of the financial statements.

Tonganoxie Public Library, Tonganoxie, Kansas  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 Capital Improvement Fund  
 Year ended December 31, 2009

	Current year		
	Actual	Budget	Variance - over (under)
Cash receipts:			
Interest on idle funds	\$ 363	\$ 900	\$ 537
Transfers in:			
General fund	15,004	-	(15,004)
Total cash receipts	15,367	\$ 900	\$ (14,467)
Expenditures and transfers subject to budget:			
Equipment and furnishings	6,003	\$ 7,500	\$ 1,497
Total expenditures and transfers subject to budget	6,003	\$ 7,500	\$ 1,497
Receipts over (under) expenditures	9,364		
Unencumbered cash, beginning of year	52,076		
Unencumbered cash, end of year	\$ 61,440		

The accompanying notes are an integral  
part of the financial statements.



Tonganoxie Public Library, Tonganoxie, Kansas  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 Gifts & Memorial Fund\*  
 Year ended December 31, 2009

	Current year Actual
Cash receipts:	
Interest on idle funds	\$ 2,938
Transfers in:	
General fund	<u>-</u>
Total cash receipts	<u>2,938</u>
Expenditures and transfers subject to budget:	
Transfers	<u>-</u>
Total expenditures and transfers subject to budget	<u>-</u>
Receipts over (under) expenditures	2,938
Unencumbered cash, beginning of year	<u>125,000</u>
Unencumbered cash, end of year	<u>\$ 127,938</u>

\*This fund is not required to be budgeted.

The accompanying notes are an integral  
part of the financial statements.

Tonganoxie Public Library, Tonganoxie, Kansas  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended December 31, 2009

1. Summary of significant accounting policies

a. Reporting entity

Tonganoxie Public Library, (the Library) is a municipality organized under K.S.A. 12-1236 and governed by an elected seven-member board. These financial statements present Tonganoxie Public Library, (the primary government). The Library is a component unit of the City of Tonganoxie, Kansas.

b. Basis of accounting

1. Statutory basis of accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure is charged in the fund from which the transfer is made.

The Library has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Library to use the statutory basis of accounting.

2. Departure from accounting principles generally accepted in the United States of America

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue, matured principal and interest payable, and reservations of the fund balance are not presented.

Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles.

Tonganoxie Public Library, Tonganoxie, Kansas  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended December 31, 2009

1. Summary of significant accounting policies (continued)

2. Departure from accounting principles generally accepted in the United States of America (continued)

Capital assets that account for the land, buildings, and equipment owned by the Library are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

d. Cash and investments

Cash consists of checking accounts, savings accounts, and certificates of deposit.

Cash balances in all funds are considered in determining the amount to be invested and further, unless specifically designated, all investment income is credited to the general fund.

e. Inventories and prepaid expenses

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase, as required by state statutes.

f. Fund descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the Library for the year ended December 31, 2009:

1. Governmental funds

- a. General fund - to account for all unrestricted resources except those required to be accounted for in another fund.
- b. Special revenue funds - to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Tonganoxie Public Library, Tonganoxie, Kansas  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended December 31, 2009

1. Summary of significant accounting policies (continued)

g. Ad Valorem tax revenue

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various Counties. The County Appraiser annually determines assessed valuation and the County Clerk spreads the annual assessment on the tax rolls. In accordance with Kansas statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. One-half of the property taxes are due December 20th, prior to the fiscal year for which they are budgeted, and the second half is due May 10th. The Library receives available funds from the County Treasurer at designated times throughout the year.

2. Stewardship, compliance, and accountability

a. Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the District to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the Library for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

Tonganoxie Public Library, Tonganoxie, Kansas  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended December 31, 2009

2. Stewardship, compliance, and accountability (continued)

a. Budgetary information (continued)

A legal operating budget is not required for capital projects funds, fiduciary funds, permanent funds, and the following special revenue fund: Gifts and Memorials.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

b. Compliance with Kansas statutes

Management is aware of no statutory violations for the period covered by audit.

3. Deposits and investments

As of December 31, 2009, the Library had no investments.

K.S.A. 9-1401 establishes the depositories which may be used by the Library. The statute requires banks eligible to hold the Library's funds have a main or branch bank in the county in which the Library is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the bank to pledge securities for deposits in excess of FDIC coverage. The Library has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Library's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Library has no investment policy that would further limit its investment choices.

*Concentration of credit risk.* State statutes place no limit on the amount the Library may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk - deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. State statutes require the Library's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. Deposits at December 31, 2009 were properly secured.

Tonganoxie Public Library, Tonganoxie, Kansas  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended December 31, 2009

3. Deposits and investments (continued)

At December 31, 2009, the Library's carrying amount of deposits was \$219,348 and the bank balance was \$232,408. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$232,408 was covered by federal depository insurance and the remaining \$0.00 was collateralized with securities held by the pledging financial institution's agents in the Library's name.

*Custodial credit risk - investments.* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

4. Margaret Sanders Leighty Trust

As a beneficiary of the Margaret Sanders Leighty Trust, the Library received a gift in the amount of \$125,000. The directives of the Trust specify that the principal value of the gift is to be preserved, but the income may be used as the governing body directs. As of December 31, 2009, a Certificate of Deposit was held at the First State Bank and Trust of Tonganoxie and had earned \$2,938 in interest.

5. Interfund transfers

The following interfund transfers occurred during the year ended December 31, 2009.

<u>From</u>	<u>To</u>	<u>Amount</u>
General	Capital Improvement	\$ 15,004

6. Risk management

The Library handles risk of loss through the purchase of commercial insurance. Insurance coverage has not been reduced from the prior year. Insurance settlements have not exceeded insurance coverage.

7. Retirement plan

*Plan description:* The Library sponsors a 457 retirement plan. The employer contributions are discretionary. Currently their employer match is up to 7%. For the year ended December 31, 2009, total employer contributions were \$2,389. to be eligible for the plan, employees must be employed as full time.

Tonganoxie Public Library, Tonganoxie, Kansas  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended December 31, 2009

8. Compensated absences

As described in Noted 1b, these financial statements are prepared in compliance with the cash basis and budget laws of the State of Kansas, and therefore, there is no presentation for vested or accumulated compensated absences.

The Library's policy regarding sick pay is to accrue days for full-time employees up to a maximum of 320 hours. Sick leave is granted to part-time employees based upon percentage of time worked as compared to sick leave awarded to full-time employees. An employee shall not be paid for any unused sick leave upon termination of employment with the Library.

Annual leave shall be earned beginning with the date of employment. At the time of employment and beginning on the first day of the calendar month, full-time employees will earn 8 hours of annual leave, with a maximum accrual of 96 hours. After 5 years of employment, the employee will earn 10 hours of annual leave, with a maximum accrual of 120 hours. After 10 years of employment, the employee will earn 13.3 hours a month, with a maximum accrual of 160 hours. Part-time employees will receive vacation time based upon a percentage of time worked as compared to the full-time employee. Upon termination of employment, an employee shall be compensated for all accumulated unused vacation leave at the final rate of pay. Per management, at December 31, 2009, the liability for sick and vacation pay was immaterial in amount.

9. Commitments

The Library leases a copier for patron use and administrative purposes. Lease expense for the year ended December 31, 2009 was \$4,682. The lease term expires September 2010. The future minimum lease payment for the year 2010 is \$2,713.